

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS JAMES M. KIEFER TO INTERROGATORIES OF  
ASSOCIATION FOR POSTAL COMMERCE  
(POSTCOM/USPS-T33-8-12(c), (e))

The United States Postal Service hereby files the response of witness James M. Kiefer to the following interrogatories of the Association for Postal Commerce: POSTCOM/USPS-T33-8-12(c) and 12(e), filed on October 30, 2001. Interrogatory POSTCOM/USPS-T33-12(d) was redirected to the Postal Service.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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November 13, 2001

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KIEFER  
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**POSTCOM/USPS-T33-8.** Please refer to USPS-LR-J-106, BPM-WP-3 and your response to POSTCOM/USPS-T33-4(b).

- (a) Please confirm that all of the figures in BPM-WP-3 are GFY 2000 figures.
- (b) Please provide an update to BPM-WP-3 using FY 2001, AP 6 – AP 10 data.
- (c) Please provide an update to BPM-WP-3 using FY 2001, AP 11 – AP 13 data.

**RESPONSE**

- (a) Confirmed for WP-BPM-3.
- (b)&(c) No billing determinants for the requested periods have been developed. The Postal Service normally does not calculate billing determinants for portions of a fiscal year. An exception is made in years when the rates change in the middle of a year and special analyses and data reports are created to divide the fiscal year into pre- and post-rates periods. The data required to support the calculation of billing determinants for the fractional years requested have not been developed. Without the appropriate data, it is not possible to calculate sub-year billing determinants.

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**POSTCOM/USPS-T33-9.** Please describe in detail the major reasons why the Postal Service proposed dropship discounts for Bound Printed Matter in Docket No. R2000-1.

**RESPONSE**

The dropship discounts proposed in Docket No. R2000-1 were designed to better align rates with the costs of handling Bound Printed Matter, in particular, the costs of transporting and processing the mail. As such, the discounts were expected to help achieve several goals.

The discounts were designed to encourage more customers to efficiently deposit mail and thereby reduce postal processing and transportation costs. This general goal of cost control is always important. In this situation, it was particularly important to deploy cost control mechanisms for a subclass seeing significant cost increases. Not only was the goal of cost control and the means to provide future rate stability important, the dropship discounts were seen as means to reduce the impact of the rate increase, at least for those customers who undertook various means to dropship their mail in an efficient manner. Finally, the dropship discount proposal was seen as more equitable. The better alignment of rates with costs meant that low-cost customers did not bear an undue rate burden.

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**POSTCOM/USPS-T33-10.** Please refer to your response to POSTCOM/USPS-T33-4(h) where you state, “I also used FY 2001 data for estimating the share of presorted BPM that would be eligible to receive the parcel barcode discount (Input [7b] on workpaper WP-BPM-1)” and the row of WP-BPM-1 with the Note [7b]. Please provide the input data that you used to calculate the percentage figure in the row of USPS-LR-J-106, WP-BPM-1 with the Note [7b], describe each input datum (e.g., the numerator is the volume of barcoded Bound Printed Matter (BPM) parcels for FY 2001, AP 6 – AP 10), and describe how you calculated the percentage figure.

**RESPONSE**

Input [7b] is calculated as the ratio of two numbers, which is then converted into a percentage. The numerator of the ratio is 56,901,469. It represents the sum of two volumes: the number of barcoded Basic Presort BPM pieces for FY 2001, AP6 to AP10, and the number of barcoded DBMC BPM pieces for FY 2001, AP6 to AP10. The denominator of the ratio is 176,053,506. It represents the total number of presorted BPM pieces for FY 2001, AP6 to AP10.

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**POSTCOM/USPS-T33-11.** Please refer to USPS-LR-J-106, SWP2-1

(a) Please confirm that the number in the “Flats” column and the row titled “Barcoded Presort BPM” refers to the volume of Bound Printed Matter (BPM) flats that have a parcel barcode on them. If not confirmed, please explain fully.

(b) Please confirm that you calculated the volume in the row titled “Estimated Flats Eligible and Using Flats Barcode” as the volume of Basic (non-Carrier Route (CR)) Presort flats minus the volume of Barcoded Presort flats. If not confirmed, please explain fully.

(c) Taking into account your response to subpart (b) of this interrogatory, do the Postal Service’s Test Year After Rates billing determinants for BPM assume that all “Basic (non-CR) Presorted” flats that did not have parcel barcodes on them in FY 2000 will have flats barcodes on them in the Test Year. If not confirmed, please explain fully. If confirmed, please explain why this is a reasonable assumption.

(d) In FY 2000, what percentage of Basic (non-CR) presorted BPM flats that did not have parcel barcodes on them had flats barcodes on them? Please also provide your data source.

**RESPONSE**

(a) Confirmed.

(b) Confirmed.

(c) To be precise, I have assumed that 60% of Presorted BPM flats in the TYAR will have flats barcodes on them. This assumption necessitates no additional assumptions concerning the number of flats using parcel barcodes, so the proposition stated in subpart (c) is not confirmed.

(d) To my knowledge, no data have been collected that identify the number or proportion of flats bearing Postnet barcodes (that is, “flats” barcodes) in FY 2000.

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**POSTCOM/USPS-T33-12.** Please refer to your response to POSTCOM/USPS-T33-1(c) where you state, “In the absence of a draft rule, the best current guidance on the eligibility requirements for the flats rate differential is contained in the testimony of witness Linda Kingsley (USPS-T-39). Please refer further to witness Loetscher’s response to POSTCOM/USPS-T33-2(d), Section C050 of the Domestic Mail Manual (DMM), and page 19 of USPS-T-39.

- (a) Taking into account witness Kingsley’s “other concern” described on page 19 of USPS-T-39, do you expect the eligibility requirements for the Bound Printed Matter (BPM) flats rate differential to be more restrictive or less restrictive than the definition of a flat in Section C050 of the DMM. Please explain your response fully.
- (b) Please provide all requirements that a flat must meet to be machinable on an FSM 881. Please explain your response fully.
- (c) Please compare the definition of a flat that is contained in the DMM to the FSM 881 machinability requirements.
- (d) What percentage of total USPS mail volume that meet the DMM definition of a flat meet FSM 881 machinability requirements? Please explain your response fully.
- (e) What percentage of BPM pieces that meet the DMM definition of a flat meet FSM 881 machinability requirements? Please explain your response fully.

**RESPONSE**

- (a) While the eligibility requirements have not yet been developed, I expect that the eligibility requirements for the BPM flats rate differential would not be more restrictive than the standards set forth in DMM C050.3.1. Given the concerns expressed in Section E of Chapter II of witness Kingsley’s testimony It is highly likely that the  $\frac{3}{4}$  inch maximum thickness standard described in DMM C050.3.1 will be strictly adhered to in determining eligibility for the BPM flats rate differential.
- (b) These requirements are set forth fully in the DMM, section C820, especially in subparts 2.1 to 2.5, 4.1, 4.3. 4.5, and 5.0 to 8.0 of section C820. These subparts explain the requirements for the dimensions of the piece, coverings, prohibitions, tabs, wafers, seals, tape, glue, uniformity of the piece, and outside labels and stickers.

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- (c) The general standards for flats are described in section C050.3.1 of the DMM. The machinability requirements for FSM 881-compatible flats are set forth fully in the DMM, section C820, in the subparts listed in (b) above. These two sets of standards have similar dimensional requirements, although they are not identical. The FSM 881 standards include, in addition to the dimensional requirements, further regulations that touch on subjects such as coverings, labels, tabs, seals, and similar items that may affect the machinability of the piece.
- (d) This question has been redirected to the Postal Service for response.
- (e) For the purpose of answering this question, I assume that the “DMM definition of a flat” refers to the general standards for flats described in section C050.3.1 of the DMM. I have been informed that no data exist that distinguish between pieces meeting the DMM C050.3.1 definition of a flat, but not the FSM 881 machinability (or automatability) requirements.

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

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